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202 463-5200

July 8, 1999

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

Ex Parte: Implementation of the Local Competition Provisions in the Telecommunications Act of 1996 – CC Docket No. 96-98

Dear Ms. Salas,

On Wednesday, July 7, 1999, Jeff Olson, Dean Foreman, Steve Bradbury, John Frantz, Jeff Linder, and the undersigned, representing GTE, and Paul Rappoport of PNR Associates, met with Jake Jennings, Bill Sharkey, Jodie Donovan-King, Claudia Fox, Sanford Williams, Christopher Libertelli, Julie Patterson, and Vincent Paladini of the Common Carrier Bureau and Jerry Stanshine of the Office of Engineering and Technology. We discussed the factual evidence presented in GTE's comments submitted in the proceeding indicated above, which specific network elements the Commission should require incumbent LECs to unbundle under Section 251(c)(3), and the geographic scope of such unbundling.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, and original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record in the proceeding indicated above.

If you have any questions regarding this matter, please call me at (202) 463-5293.

Sincerely,

W. Scott Randolph
Director - Regulatory Matters

cc: Jake Jennings
Bill Sharkey
Jodie Donovan-King
Claudia Fox
Sanford Williams
Christopher Libertelli
Julie Patterson
Vincent Paladini

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Alternatives to ILEC UNEs

Factual Evidence Presented by GTE in the FCC's Proceeding on UNEs

CC Docket No. 96-98

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The Evidence Supports:

- No switching UNE (or UNE-P)
- Loop UNE only for customers with < 20 lines
- Transport UNE for COs with < 15,000 Lines
- OSS UNE only in conjunction with resale or another UNE
- No UNEs for:
  - Signaling
  - OS/DA
  - NIDs
  - Inside Wire
  - Sub-Loop Unbundling
  - Extended Loops
  - DSLAMs
  - Packet Switches
  - Dark Fiber
- Sunset UNE requirements after 2 years

GTE Presented Extensive Evidence:

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- A Study on CLEC Entry by PNR
- A Study on UNE Substitutes and CLEC Financial Performance by NECI
- Affidavits in Comments and Reply by Alfred Kahn addressing the effects of overly broad unbundling on investment incentives
- An Affidavit by Dr. Foreman supporting GTE's proposed rule for transport unbundling

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PNR Study Shows ...

- CLECs are successfully providing service to both business and residential customers in each of 8 GTE markets.
- CLECs have deployed networks (switches and fiber) that currently can reach a significant portion of the markets in each of the areas studied.
- PNR profiles each CLEC:
  - Network deployment, business strategy, customer segments targeted, acquisitions, service offerings
- The CLECs offer a broad range of services:
  - Local, long distance, switched access, dedicated lines (voice and data), Internet access, cable TV, advanced services (e.g., ATM, ADSL)

CLEC Deployment of Self-Provided Network Elements

√ = Self-supplies network element in one or more areas
☆ = Generally leases network element from other carriers
Blank = No information available

CLEC Name	Switching	Transport	Loops/NID	OSS	SS7	OS/DA
Allegiance	√	√	☆	√	√	☆
AT& T	√	√	√	√	√	√
Cox California Telecom CLEC	√	√	√			☆
e.spire	√	√	√	√	√	☆
Focal Communications	√	☆	☆			
Frontier	√	√	√	√	√	√
GST	√	√	√		√	☆
Horry Telephone Cooperative/HTC Communications	√	√	√	√	√	√
Hyperion	√	√	√			
ICG Communications	√	√	√	√	☆	☆
Intermedia (ICI)	√	√	☆	√	☆	☆
KMC Telecom	√	√	√			
Level 3	√	√	☆			
Lost Nation-Elwood Telephone	√	√	√	√	√	√
Mark Twain Rural Telephone Co./MarkTwain Comm. Co.	√	√	√	√	√	√
MCI WorldCom	√	√	√	√	√	√
MGC Communications	√	√	☆			
Media One	√	√	√			
Nextlink	√	√	√	√	☆	☆
PacBell CLEC	√	√	☆	√	√	√
SBC CLEC	√	√	☆	√	√	√
Teligent	√	√	√	√	☆	√
Time Warner Telecom	√	√	√			√
US LEC	√	√	☆		√	
USXCHANGE	√	√	☆	√		
WinStar	√	√	√	√	☆	☆

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NECI Study Shows ...

- CLECs are:
  - Providing their own switching, transport facilities and local loops
    - Self-providing switching because it affords them more control, flexibility and better planning capabilities
  - Securing SS7, OSS, OS and DA from non-ILEC sources
  - Opting to purchase elements from wholesale providers
  - Attracting a significant amount of capital

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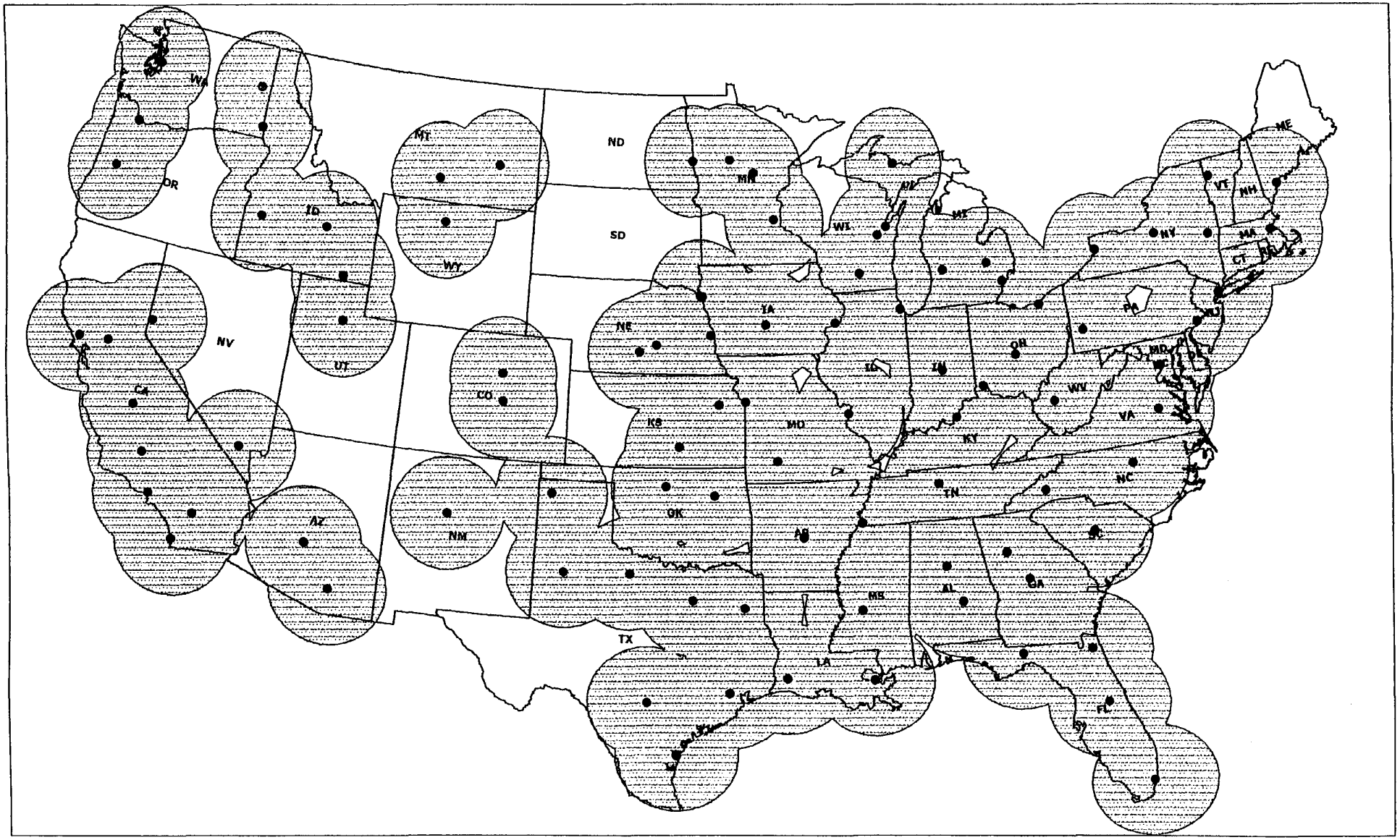
Switching doesn't meet 251(d)(2)

- Every facilities-based CLEC in GTE's markets is self-providing switching.
  - 130 CLEC switches in 8 GTE markets
  - Even the smallest CLECs have found it economical to deploy their own switches.
  - No CLECs are buying unbundled switching from GTE.
  - No CLEC has ordered unbundled switching from GTE.
- CLECs are self-providing switching in virtually all of their markets throughout the U.S.
  - Since the passage of the Act, CLECs have deployed over 439 more switches than the RBOCs and GTE combined.
- The coverage of existing CLEC switches is essentially nationwide.
  - Any comparison of the number of CLEC switches to ILEC switches is irrelevant.
  - The average CLEC switch serves 14 ILEC rate centers (and significantly more central offices).
  - Many CLEC switches serve very wide areas.
  - Virtually the entire U.S. can be covered with only 95 (of the existing 724+) CLEC switches.
    - This is based on AT&T's recommended 125-mile radius.
  - With remotes, the serving radius of most host switches is about 600 to 650 miles.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VT
NH
ME
Band Size
Radius of Circles = 125 miles
0 100 200 300
Miles

LECs & Switches

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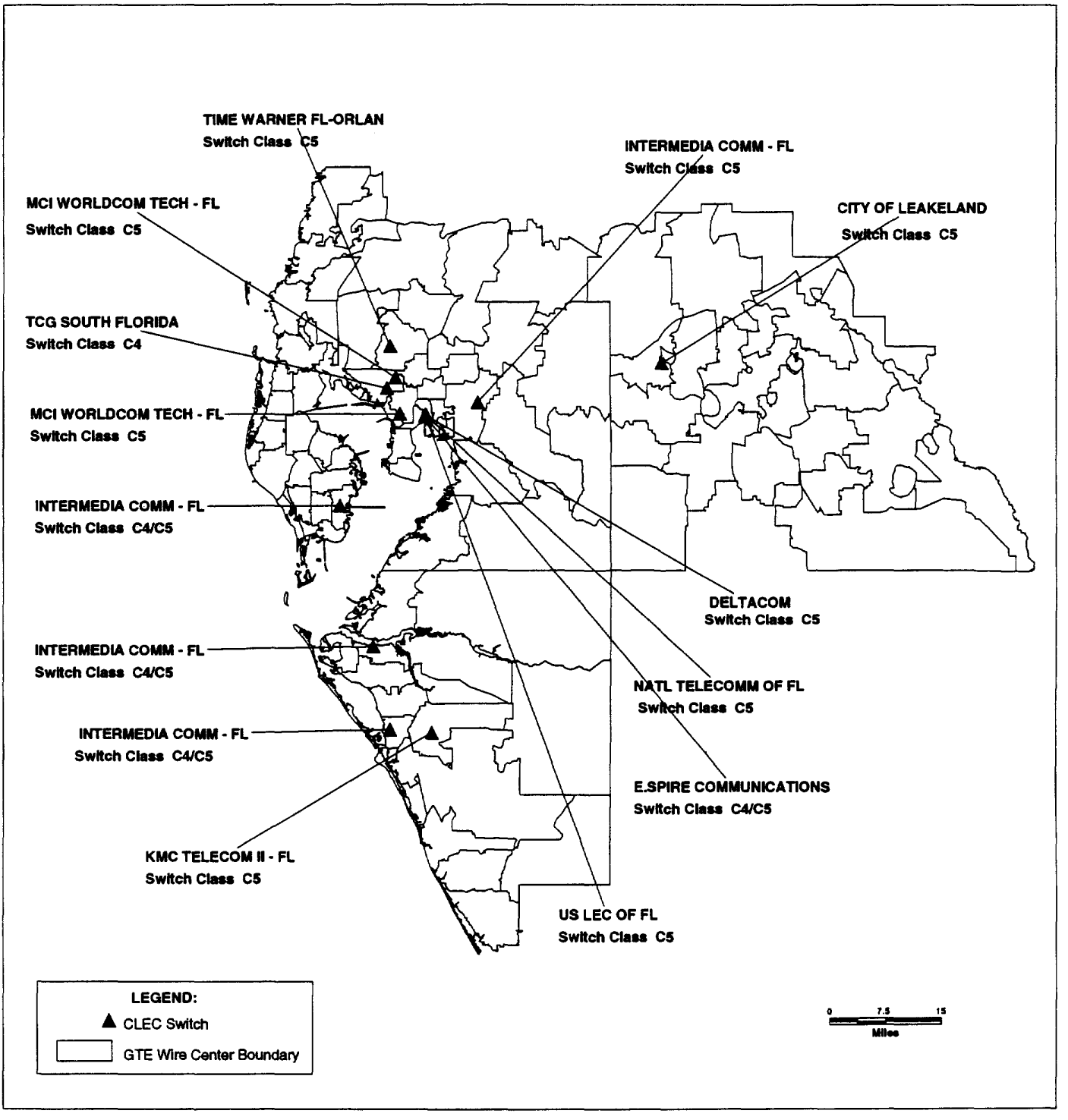
GTE Market	GTE Lines	Operating CLECs*	CLEC Switches*
Larger			
• LA area	3.9M	22	47
• Tampa/St. Pete	1.9M	14	20
• Dallas/FW	0.8M	27	45
Medium			
• Lexington	221k	2	2
• Fort Wayne	210k	2	2
Small			
• Myrtle Beach	74k	1	8
Rural			
• Ewing, MO	942 (from 1,553)	2	3
• Oxford Junction, IA	30 (from 401)	2	3

* CLEC activity within the relevant LATA(s).

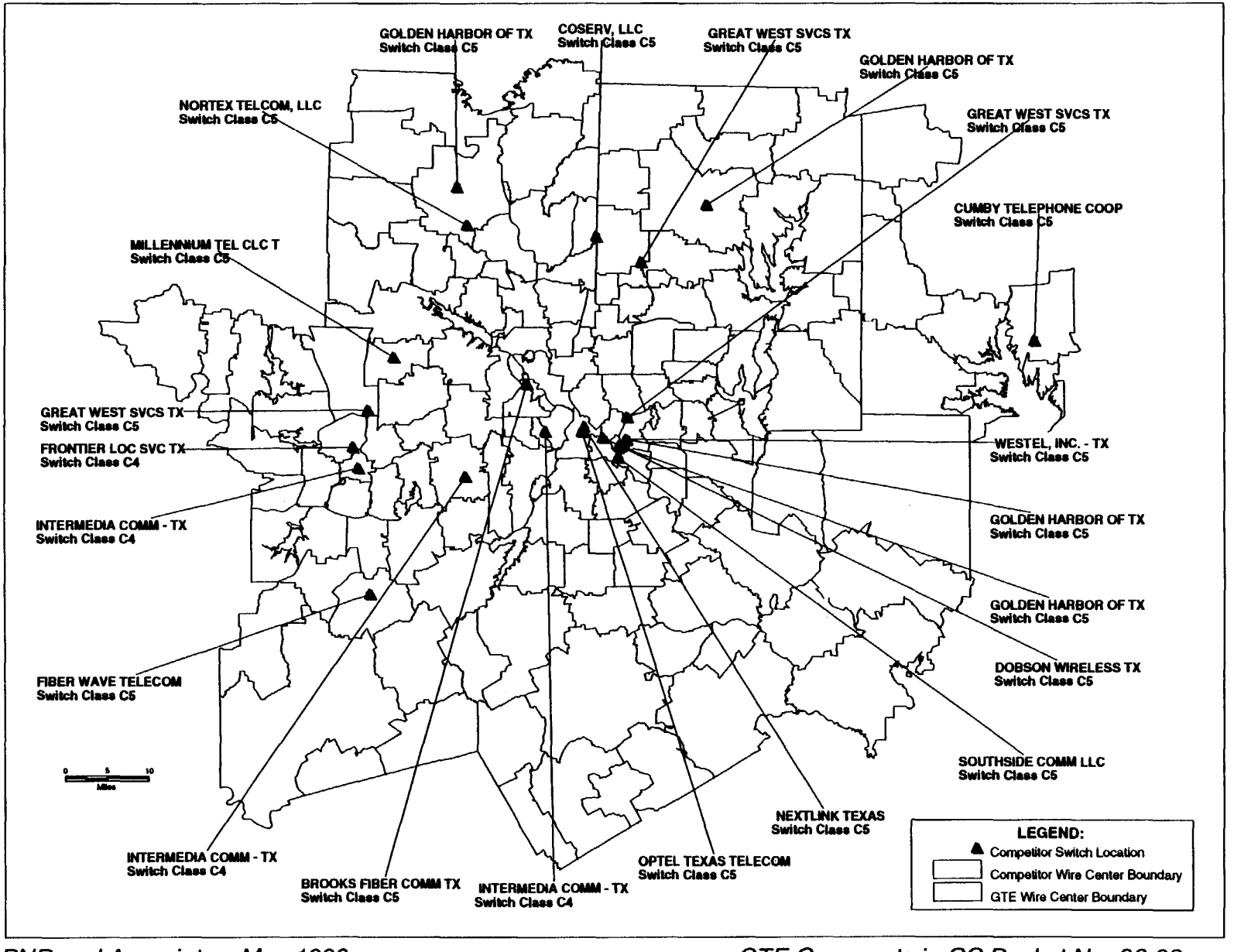
1.1 GTE Franchise Area - Florida: CLEC Switch Deployment In Tampa, St. Petersburg, Clearwater, Lakeland, Sarasota, and Bradenton



PNR and Associates, May 1999

GTE Comments in CC Docket No. 96-98

2.1 GTE Franchise Area - Dallas-Ft. Worth, Texas: CLEC Switch Deployment



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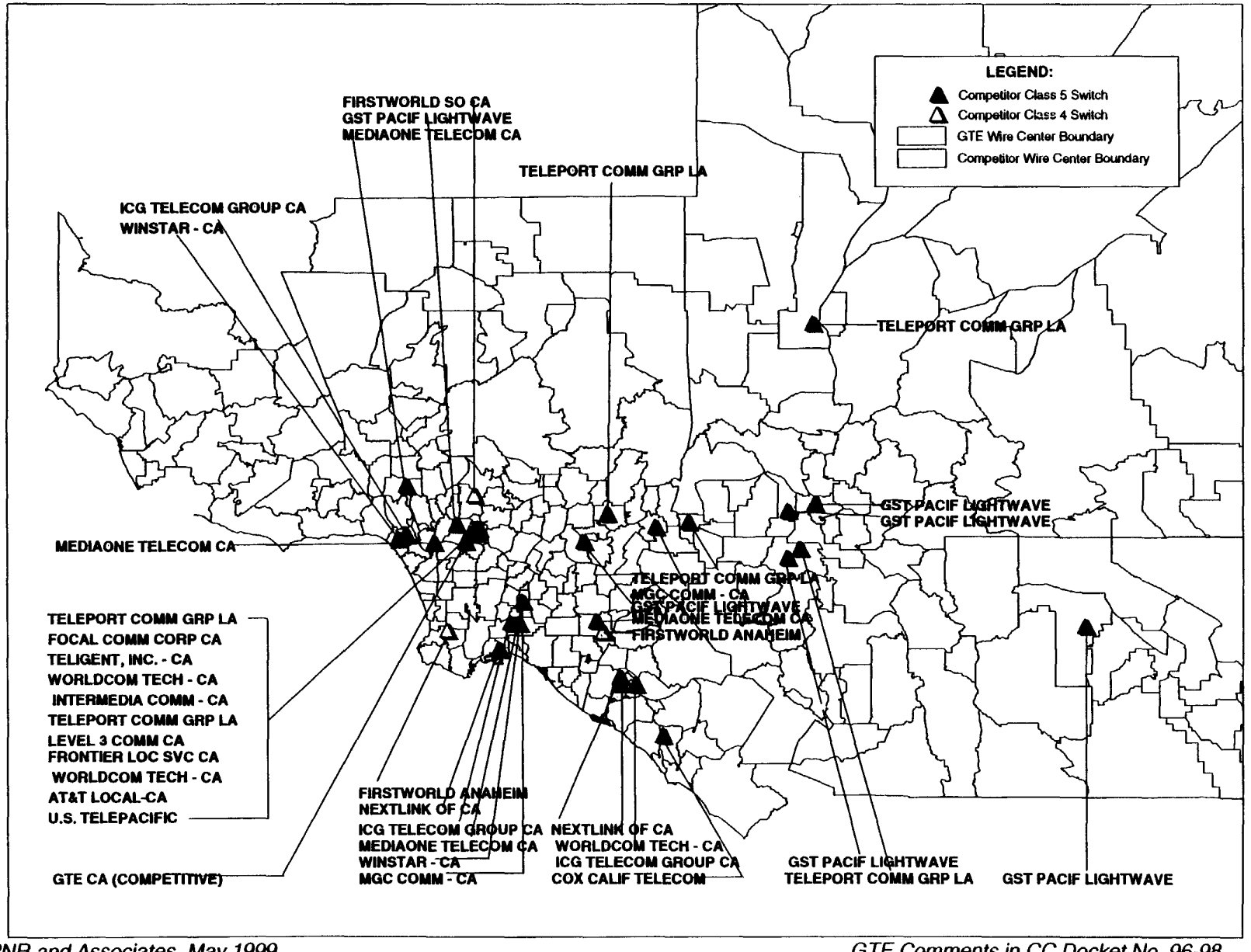
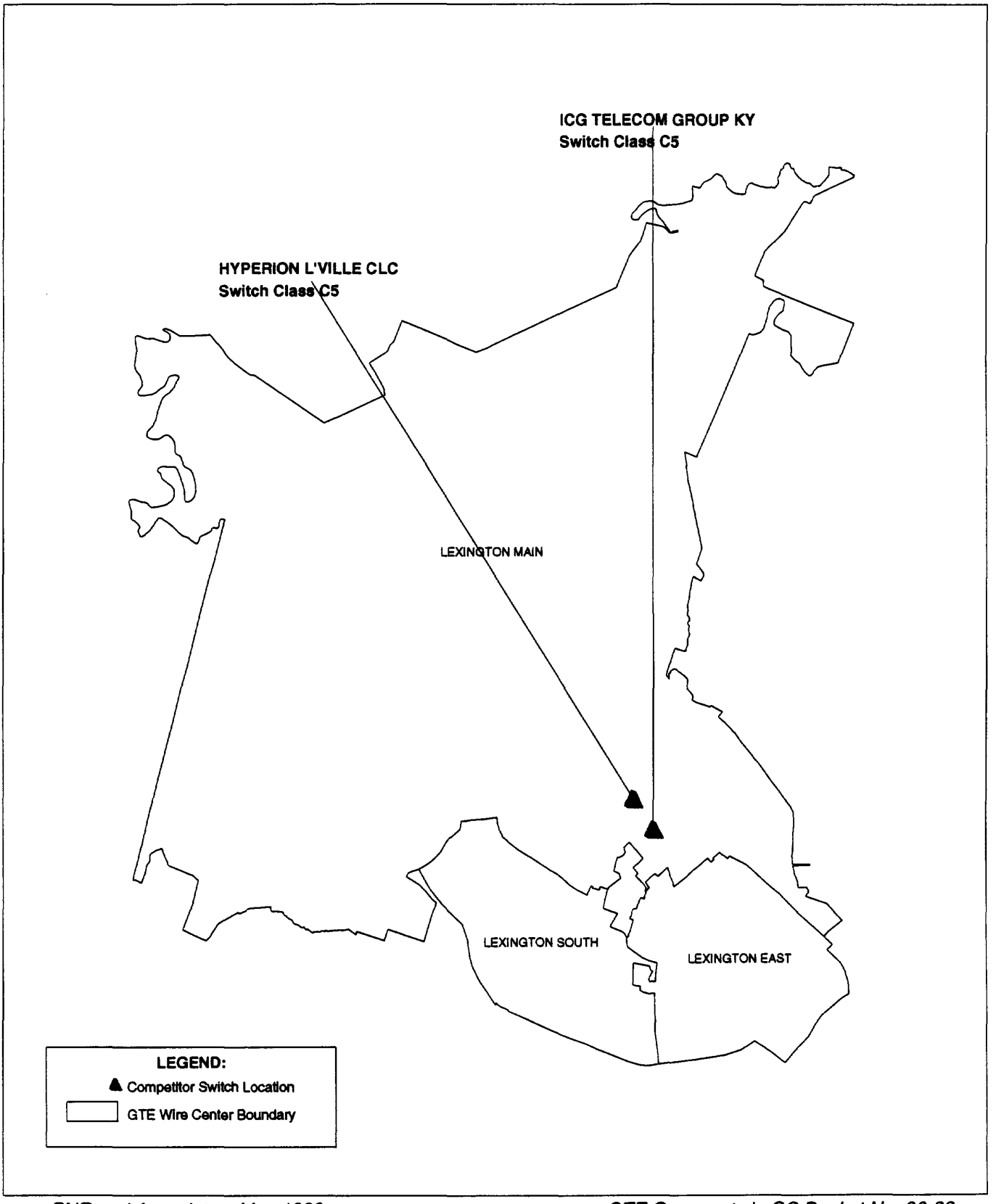
3.1 GTE Franchise Area - Greater Los Angeles Area, California CLEC Switch Deployment



PNR and Associates, May 1999

GTE Comments in CC Docket No. 96-98

4.1 GTE Franchise Area - Lexington, Kentucky CLEC Switch Deployment



PNR and Associates, May 1999

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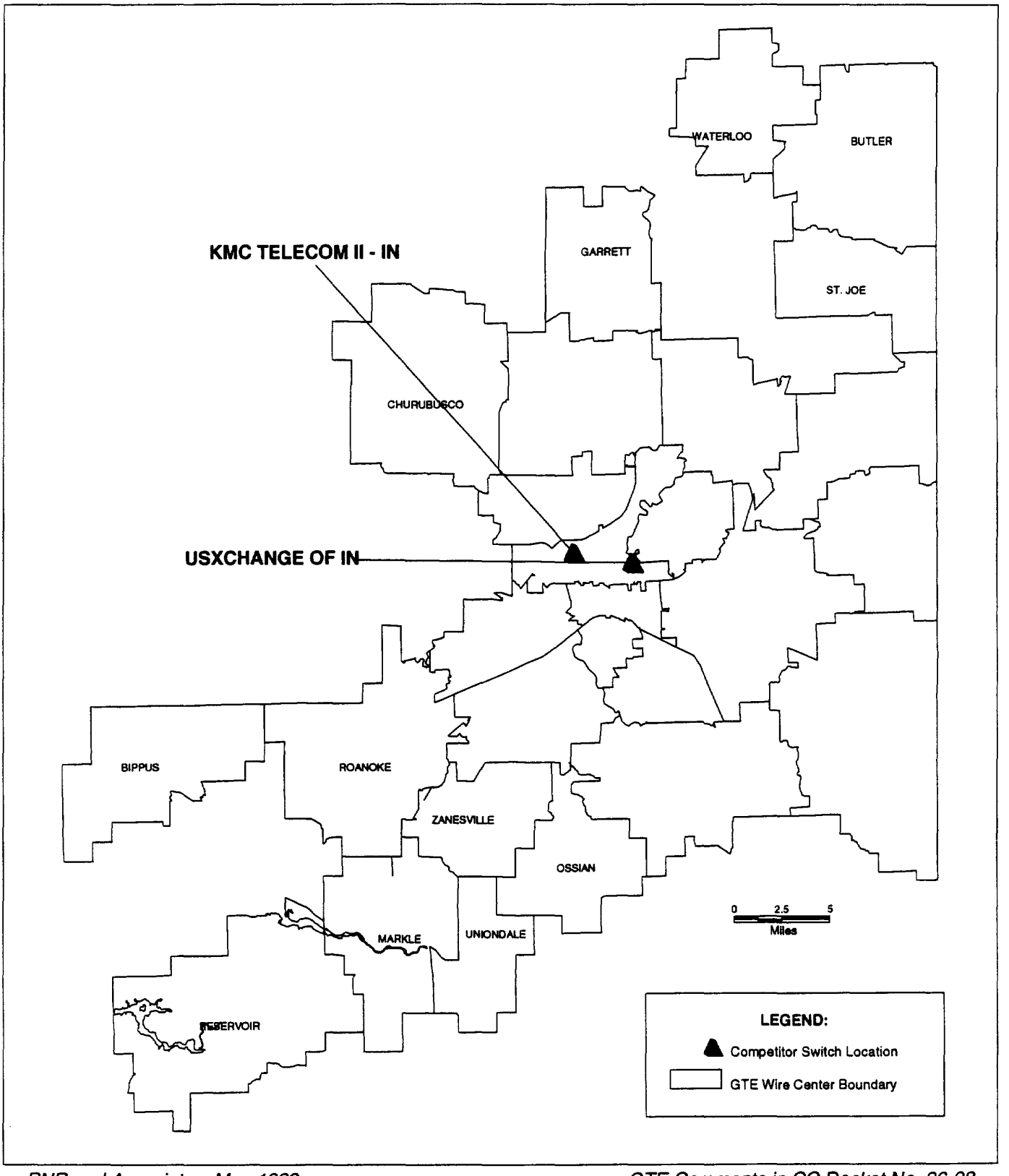
5.1 GTE Franchise Area - Fort Wayne, Indiana CLEC Switch Deployment



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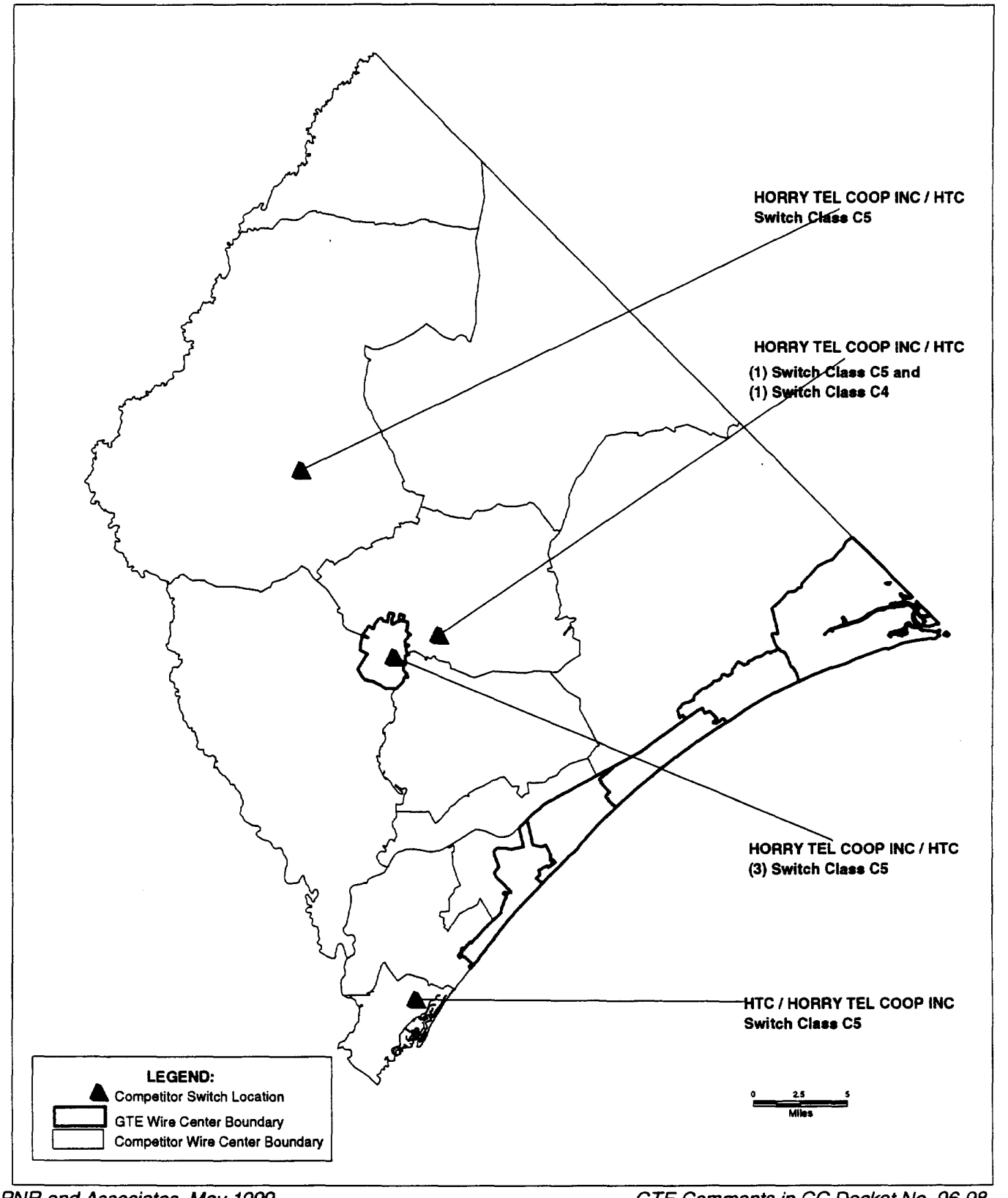
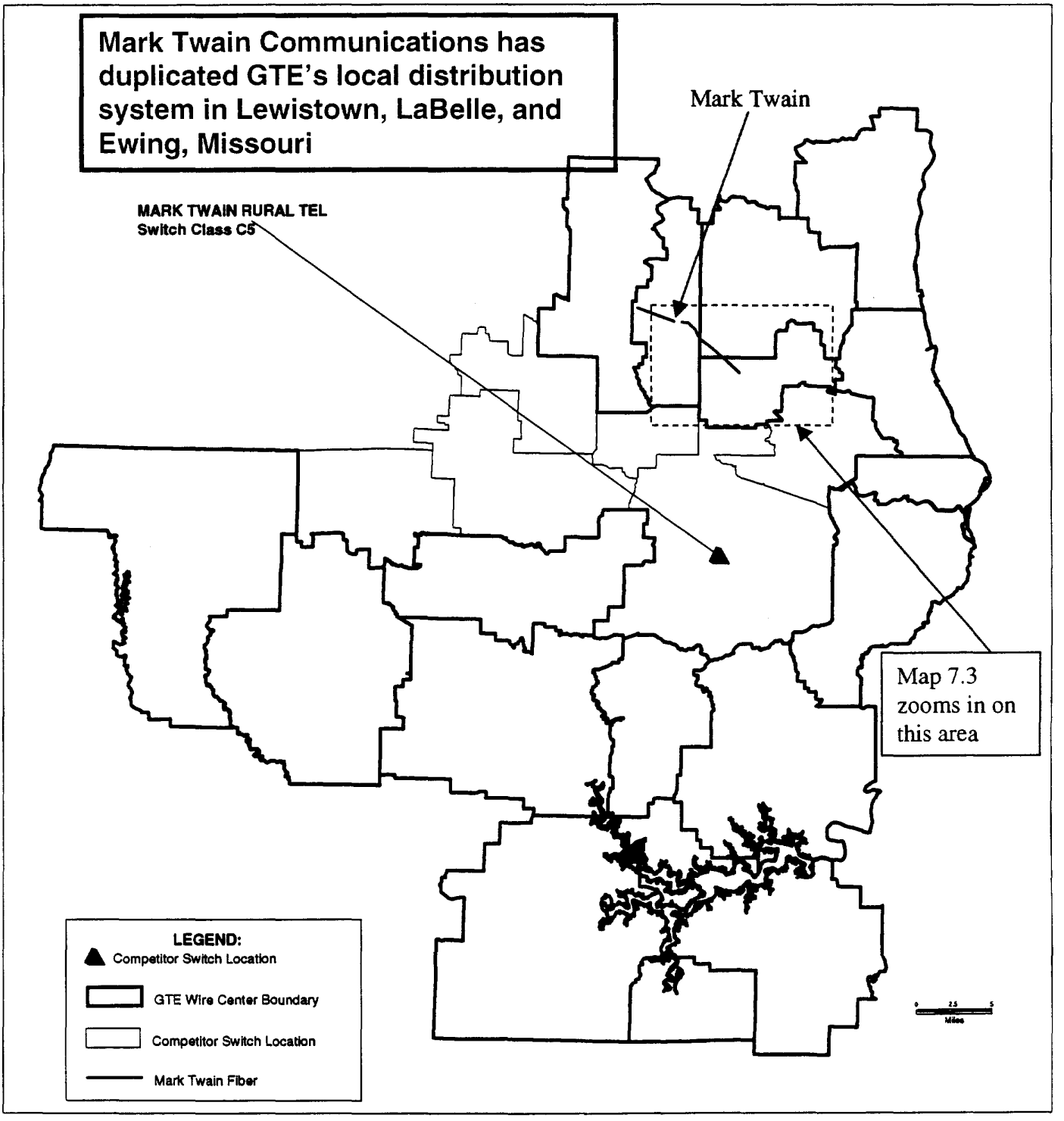
6.1 GTE Franchise Area - Conway, Myrtle Beach, and Georgetown, South Carolina: Competitive Switch Deployment



PNR and Associates, May 1999

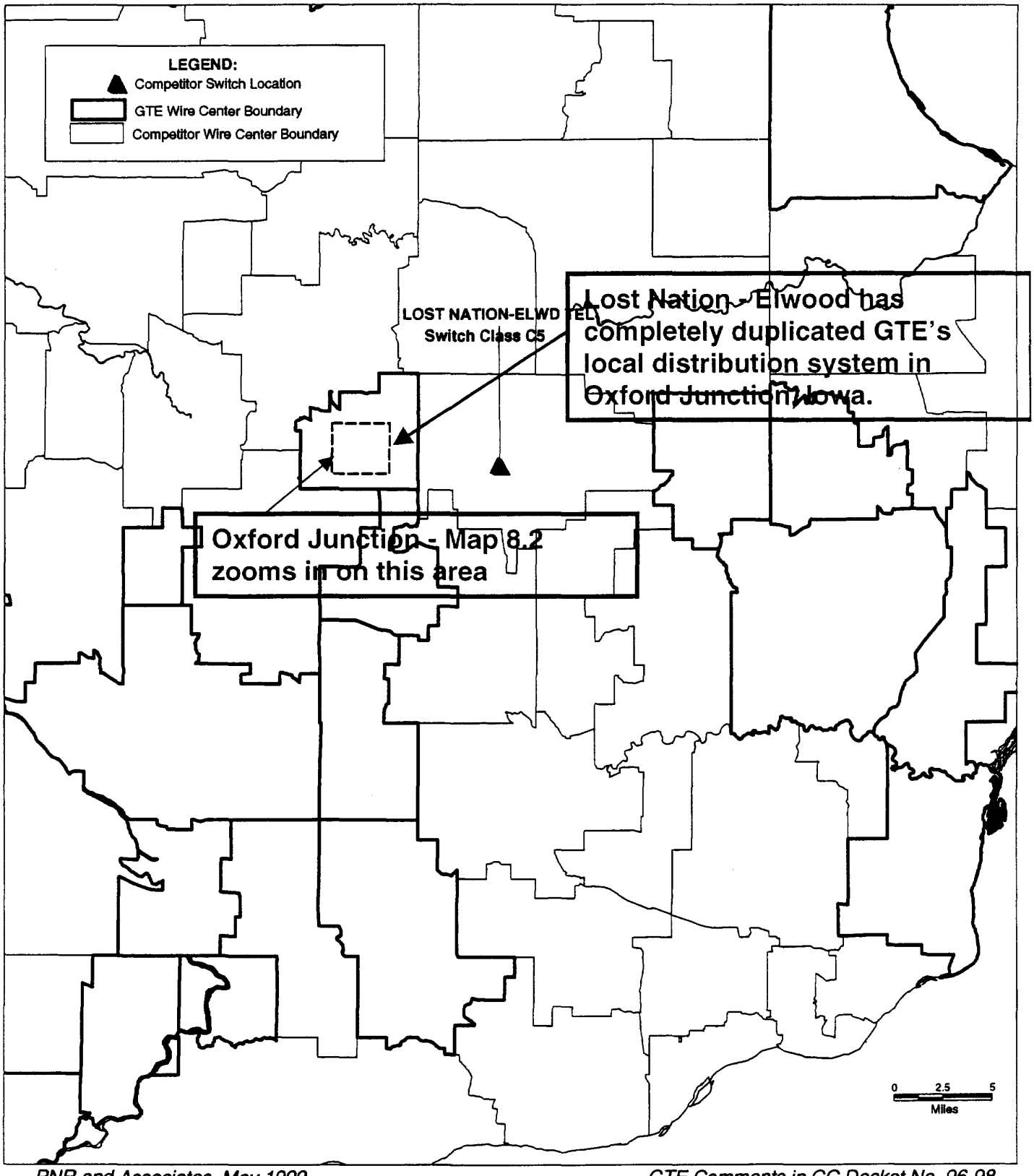
GTE Comments in CC Docket No. 96-98

7.2 GTE Franchise Area - Lewistown, LaBelle, And Ewing, Missouri: Competitive Fiber Deployment



PNR and Associates, May 1999 *GTE Comments in CC Docket No. 96-98*

8.1 GTE Franchise Area - Oxford Junction, Iowa Competitive Switch Deployment



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UNE-P doesn't meet 251(d)(2)

- The UNE platform cannot be mandated unless all of the underlying elements meet the 251(d) standard.
  - Switching is one component of a UNE Platform.
  - Evidence shows that switching does not meet 251(d).

- There is no basis for a separate mandate of a UNE platform.
  - Any current lack of CLEC entry into residential market segments is a function of conscious regulatory pricing decisions in state jurisdictions.
  - For example, approximately three-fourths of GTE's Texas residential customers have total retail revenues below the ordered rates for all UNEs that would comprise the UNE-P.

- The UNE-Platform has <u>not</u> been available and CLEC investment has flourished.

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Transport Unbundling Should be Required Only for COs < 15K Lines

- CLECs are broadly self-supplying transport or purchasing transport for wholesalers in wire center serving 15,000 lines or more.
  - The Commission should establish a threshold that allows unbundling only in wire centers too small to support alternatives to unbundled ILEC transport.

- CLECs have widely deployed fiber
  - Within top 50 MSAs, CLECs have deployed 30,000 miles of fiber.
  - CLEC fiber is in all but 15 of the top 150 MSAs.
  - CLEC fiber has been deployed in many medium, small and rural markets:
    - Myrtle Beach, South Carolina
    - Ewing, LaBelle, Lewistown, Missouri
    - Oxford Junction, Iowa

- The 15,000 line threshold provides the best "fit" to actual collocation (the best single indicator of the existence of transport alternatives).

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Foreman Affidavit Shows ...

- A strong correlation exists between existence of collocation and the presence of transport alternatives.
  - CLEC collocation indicates that transport alternatives are generally available without the need for unbundled transport.
- It is economically viable for CLECs to deploy their own transport capacity in ILEC wire centers with 15,000 lines or greater.
  - 15,000 is conservative, since one quarter of all collocations with GTE are in wire centers with less than 17,000 lines.
  - Collocation is 18 to 20 times more likely to be observed among wire center of 15,000 lines or more than in any wire center of smaller size.
  - A threshold of wire centers with less than 15,000 lines for transport unbundling is supported by the evidence.

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CLECs Have Numerous Available Transport Alternatives

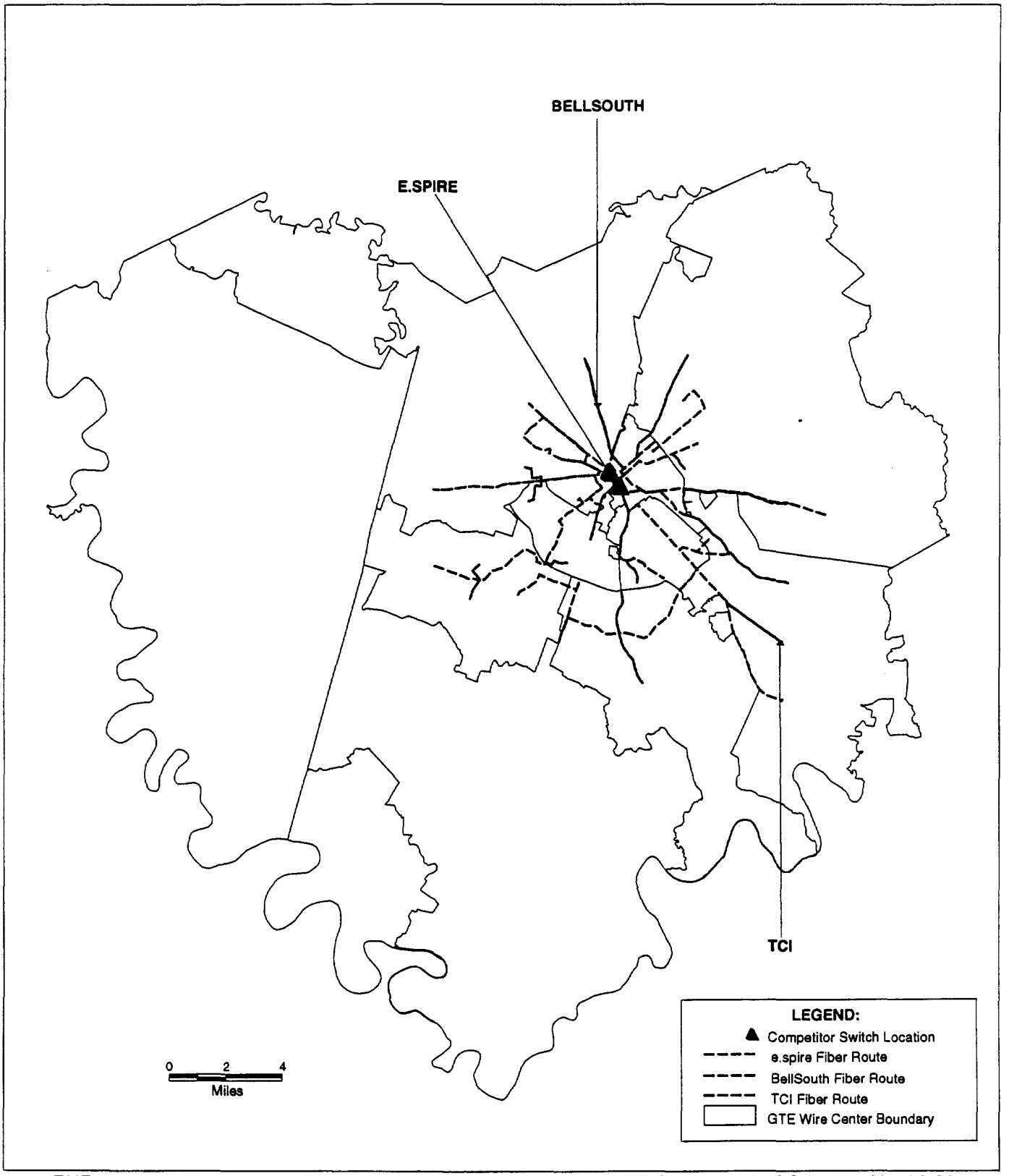
- A leading CLEC, Allegiance Telecom, described the wide availability of transport alternatives:

  "The Company [Allegiance] believes that in most of the markets it plans to enter there are multiple carriers in addition to the ILEC from which it could lease trunking capacity; typically at lower prices than the ILEC price." (Allegiance Telecom, Inc. 10Q, filed with the SEC on November 5, 1998)

- These alternatives include:
  - Build: Self-Provision
  - Lease From Third-Party
  - Lease From ILEC
    - Meet-Point (a "build/lease hybrid")
    - ILEC Special Access (The special access facility cost is shared between the ILEC and CLEC based on the mutual traffic exchange.)
    - SONET, OC3 and above (provides further real or implicit volume and term discounts on transport)

- **Fact:** Only 1 CLEC buys unbundled transport from GTE.

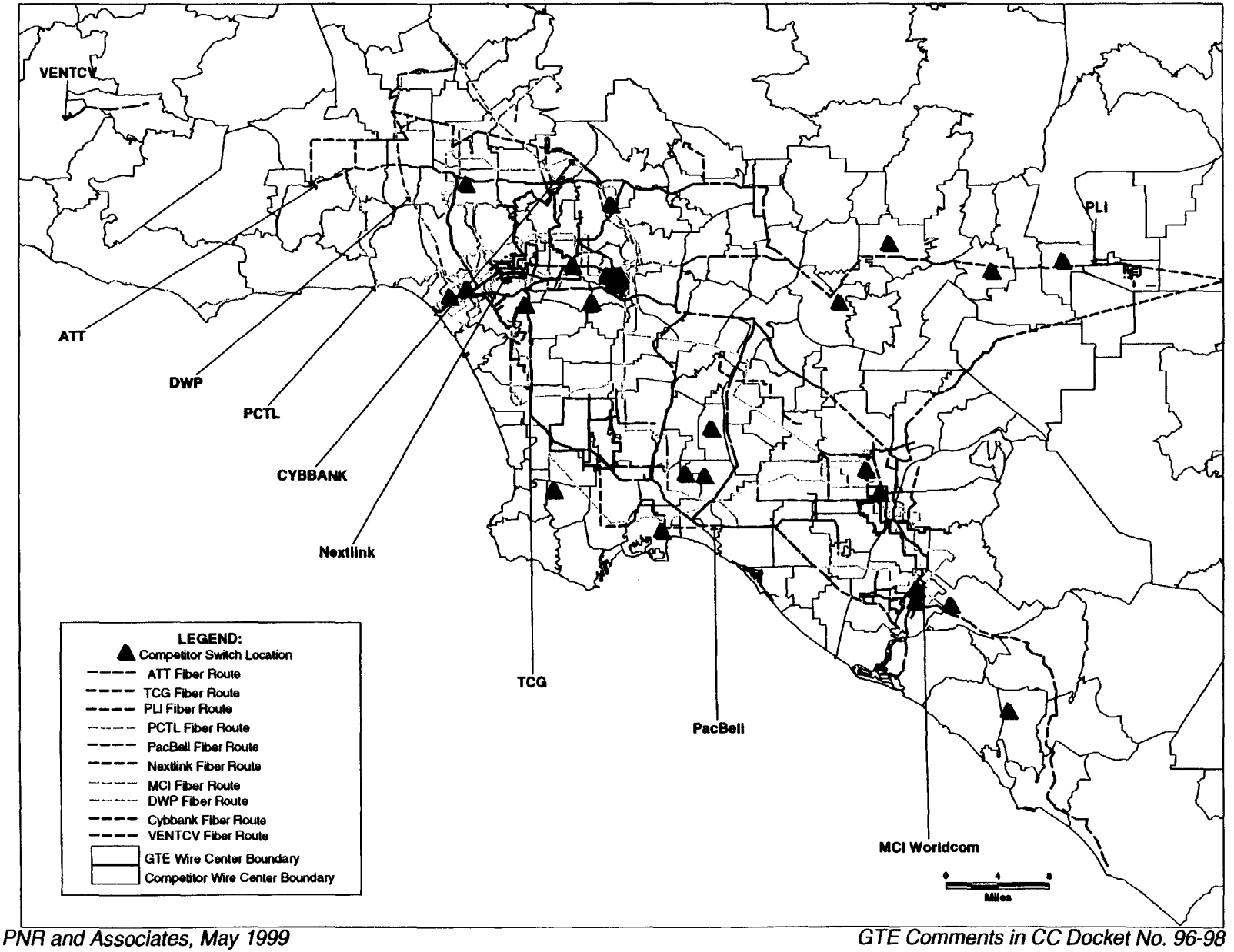
4.2 GTE Franchise Area - Lexington, Kentucky CLEC Fiber Deployment



PNR and Associates, May 1999

GTE Comments in CC Docket No. 96-98

3.2 GTE Franchise Area - Greater Los Angeles Area, California CLEC Fiber Deployment



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Not All Loops meet 251(d)(2)

- The Commission's "strong expectation" that all loops will meet the 251(d)(2) standard is contradicted by the evidence.

- The evidence shows that CLECs have deployed loops to many business customers with 20 lines or more and to MDUs.
  - Non-ILEC alternatives to loops exist today and are economical for all customers with over 20 lines.
  - The Commission has already recognized the 20+ line market as a separate market.
  - 20 lines is the approximate point at which a T1/DS1 is economic.
  - "SONET topology provides ready drop and insert access to individual DS1 payloads" NECI, p. 34
  - Fixed wireless loop can be quickly and economically deployed to customers requiring 20 or more lines.

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Loop Conditioning

- ILECs should not be mandated to provide conditioned loops to CLECs except on the same basis as such conditioning is made available to the ILEC for its own operations.
  - The Commission cannot compel ILECs to provide different or better service to CLECs than they provide to themselves
  - Conditioning is an alteration to an existing loop to reconfigure that loop to provide a new, better and different service than is being provided on the existing loop.
  - GTE provides conditioned loops as a UNE in central offices where GTE conditions loops for its own use.
  - GTE provides conditioned loops on a bona fide request basis in areas where it does not provide conditioned loops for itself.

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Advanced Services

- ILECs are <u>not</u> "incumbents" in the advanced services markets.

- Technologies other than the ILEC networks bring advanced services to customers, including
  - Cable television networks, e.g., cable modems,
  - Wireless broadband services
  - Satellite
  - Electric utility facilities

- ILEC xDSL technology lags behind cable modems in bringing high-speed access to residential consumers and is projected to remain behind.

- The ILECs are not even ahead in the sub-market of broadband services using xDSL technology
  - CLECs have been faster to market with xDSL than ILECs (Kahn, p. 36)

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Sunset

- The Commission should adopt a 2-year sunset rule.
  - Competitive inroads are rapid and extensive.
  - Convergence of technologies will continue to accelerate.
  - The Commission should sunset any unbundling rules after 2 years and revisit whether any requirements are necessary at that time.

Contribution By GTE's Texas Residential Segments

* Costs Based On TX-PUC Interim UNE Rates;
Total Bill Includes Local, EUCL, Access, Toll, And Vertical Services.